



TO: Members, Senate Budget & Taxation Committee
FROM: Paul Pinsky - Director, MEA
SUBJECT: SB 317 - Income Tax - Credit for Energy Efficiency Upgrades - Passive Houses
DATE: February 8, 2023

MEA Position: Letter of Information

Senate Bill 317 offers a tax credit for certain energy efficiency upgrades. Unfortunately, the bill raises several issues for the committee to consider. The Maryland Energy Administration highlights these issues below.

The program is not limited in the aggregate.

MEA notes that the program created by SB 317 only places a limit on individual credits for qualifying purchases or installations. It places no annual cap on the total volume of credits nor the total negative impact on General Fund Revenue. Other, similar programs, such as the Energy Storage Tax Credit operated by MEA, have annual cumulative caps in place to limit overall reductions in revenue.

The subject matter is not currently in MEA's portfolio.

As the bill is written, it is MEA rather than the building owner that would have to certify the Passive Homes status of a building. Passive House Institute is a European non-compulsory standard with several different levels of achievement that can be reached through various means. This includes: Certified Passive House (in classic, plus, and premium varieties), EnerPHit (in classic, plus, and premium varieties), as well as Low Energy Building, amongst others.

While MEA has several energy efficiency programs and the corresponding expertise, the use of a Passive House Institute (PHI) certifications in the United States is less common than it is in Europe. In fact, at the time of this hearing, PHI only lists five (5) accredited Passive House Certifying organizations in the entirety of the United States. MEA may become reliant upon these limited contractors to complete the required tax credit application review, or, more likely, must create a new position within MEA that serves the same purpose of an accredited PHI Building Certifier.

The bill will create administrative burdens, requiring new investment in staff.

MEA assumes that applications for the new program could create significant administrative burdens because of application volume (due to the lack of any aggregate limits), and the necessary in-depth review of certain building standards and their proper implementation for each tax credit application. MEA anticipates the need for three (3) Energy Specialists in addition to a new Program Manager position, for a total of four (4) new PIN positions.

MEA encourages the committee to consider the forgoing prior to rendering its report.